

Finance Committee

Senator Jim Waring, Chairman



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FINANCE COMMITTEE

LEGISLATION ENACTED

tax exemption; internet applications (S.B. 1340) – Chapter 194

Exempts, from transaction privilege tax and use tax collections, including the retail and telecommunications classifications, application services designed to assess or test student learning or to promote curriculum design or enhancement that is purchased by or for any school district, charter school, community college or state university. Defines “application services” and “curriculum design or enhancement.”

federal tax intercept proposal (S.C.M. 1004)

Requests the U.S. Congress to enact legislation authorizing the U.S. Department of the Treasury to intercept federal tax refunds to pay overdue victim restitution and other financial obligations ordered by state and local courts.

2008 tax corrections act. (H.B. 2103) – Chapter 60

Makes technical, clarifying and conforming changes to Arizona tax statutes. Adds, retroactive to tax years beginning from and after December 31, 2006, a cross-reference for the clarification of the classification of property used for the manufacture of biodiesel fuel and a clarification stipulating that only a residential graywater conservation system must comply with rules set forth by the Arizona Department of Environmental Quality. Repeals the provisional requirement that an individual or a corporation must submit a report of intent in order to be eligible for select income tax credits.

internal revenue code conformity. (H.B. 2104) – Chapter 94

Conforms the definition of the United States Internal Revenue Code (IRC) for tax year 2008 to the IRC definition in effect on January 1, 2008.

sales tax; electronic payment delinquency. (H.B. 2106) – Chapter 21

Beginning January 1, 2009, changes the delinquency date for on-line payments of transaction privilege taxes to the Department of Revenue from the 20th day of the month following the month for which they were collected, to on or before the last business day of the month following the month for which they were collected.

delinquent information tax returns; penalty (H.B. 2107) – Chapter 204

Beginning tax year 2009, adjusts the penalty for a taxpayer who fails to file, or fails to provide the required materials for an information return, to \$100 per month not to exceed \$500.

FAMILY SERVICES COMMITTEE (Cont'd.)

residential property tax; homesite area (H.B. 2130) – Chapter 49

Beginning January 1, 2009, allows a homesite designated as class 3 property to include, within its parcel, up to ten additional acres of real property on which the residential improvement is located. Also allows a homesite area to include between 10 and 40 acres on a single parcel of real property on which the residential improvement is located if it is zoned exclusively for residential purposes or contains legal restrictions or physical conditions that prevent the division of the parcel.

property classification; bed and breakfast (H.B. 2191) – Chapter 178

Increases the number of rooms to six, for property classification purposes, an owner-occupied residence is allowed to have and qualify as a bed and breakfast inn for class 4, residential rental property.

luxury tax; tobacco tax stamps (H.B. 2317) – Chapter 38

Requires the Department of Revenue (DOR) to use certain procedures during compliance inspections in order to make a determination as to whether a licensed cigarette distributor or retailer has complied with Arizona's luxury tobacco tax stamp laws. If a distributor or retailer has substantially acted in accordance with all other cigarette stamp provisional requirements, DOR is required to determine the following exceptions to be in compliance: 1) individual cigarette packages that have partial serial numbers matching those packaged or shelved together; 2) individual cigarette packages that are part of an unopened pallet, master carton or carton that contains other properly stamped packages; and 3) individual cigarette packages that can be supported by documentation from the retailer to be part of a pallet, master carton or carton that contains properly stamped packages. The act becomes effective on the general effective date, subject to conditions established in Laws 2006, Chapter 278.

property tax exemption; charter schools (H.B. 2330) – Chapter 252

Specifies that the property and buildings, including land, improvements, furniture and equipment, that are owned by a nonprofit charter school are exempt from property taxation beginning on the date the nonprofit organization acquires ownership of the property and buildings.

property tax lien interest calculation (H.B. 2351) – Chapter 65

Specifies that interest on tax liens begins to accrue at the bid rate on the first day of the month following the purchase for both initial tax liens and subsequent tax liens.

reservation telecommunications legislative study committee (H.B. 2514) – Chapter 114 E

Effective April 28, 2008, reestablishes the Reservation Telecommunications Legislative Study Committee until October 1, 2010.

property tax deeds; technical correction (NOW: tax lien sale; regulation) (H.B. 2523) – Chapter 174 E

Effective May 8, 2008, allows a county board of supervisors (BOS) to sell real property in the county held by the state by tax deed to the owner of contiguous real property that is used for residential purposes. The bill further allows a BOS to accept an offer by the contiguous owner to

FAMILY SERVICES COMMITTEE (Cont'd.)

purchase the property if: 1) both the property offered for sale and the contiguous property were at one time under common ownership or the property offered for sale is part of a common area maintained by a homeowners' association, determined by the county assessor; and 2) the property offered for sale cannot be separately used for residential purposes pursuant to the applicable building codes and ordinances of the jurisdiction in which the property is located. The bill disallows the sale of contiguous real property if there is more than one contiguous parcel of property and requires, if an offer is pending at the time of an auction of the property, the BOS to remove the property from the auction.

In addition, the bill allows county treasurers, in a county with two million or more persons, to use their specific county's taxpayer information fund for the purposes of alerting taxpayers of their parcel or of an adjacent parcel being up for sale at a deed sale and specifies that the information about delinquent or orphaned properties may also be posted on a county treasurer's website.

income tax credit; other states (H.B. 2589) – Chapter 220

Defines, for residents and nonresidents, the term "entire income" as adjusted gross income for the purpose of an individual income tax credit for income taxes paid to other states. Provides supplemental definitions.

renewable energy valuation; expiration extension (H.B. 2614) – Chapter 306

Extends, through December 31, 2040, the valuation methodology for renewable energy equipment, which is 20 percent of the depreciated cost of the equipment. The act also removes automatic repeal provisions and specifies that renewable energy systems for residential and residential rental properties do not add value to the property for the purposes of property tax and defines "renewable energy systems."

prime contracting classification; contract services (NOW: exemption; preconstruction services) (H.B. 2622) – Chapter 255

Exempts the gross proceeds of sales or gross income attributable to a separate, written design phase services contract or professional services contract, executed before modification beings, from transaction privilege tax under the prime contracting classification.

municipal tax incentive penalty; application (H.B. 2638) – Chapter 151

Applies the prohibition and penalties against a city or town providing transaction privilege tax incentives as an inducement to attract retail projects to any city or town in which 65 percent of the city or town is within the exterior boundary of a metropolitan statistical area with more than two million persons.

taxpayer information ruling (H.B. 2692) – Chapter 221

Allows a taxpayer to make a request, anonymously through a designee of the taxpayer's choice, for a taxpayer information ruling.

FAMILY SERVICES COMMITTEE (Cont'd.)

LEGISLATION VETOED

state equalization property tax repeal. (H.B. 2220/ S.B. 1002) – VETOED

Repeals the state equalization property tax rate, which was suspended by Laws 2006, Chapter 354, for three tax years (2006, 2007 and 2008).

In her veto message, the Governor expresses concern that as Arizona is facing a budget shortfall in FY 2008-2009, permanently repealing a tax that supports the financing of schools and education would be fiscally irresponsible.

general obligation bond requirements (H.B. 2585) – VETOED

Requires a publicity pamphlet to state in bold-faced type if the proposed bond issue will exceed the political subdivision's constitutional debt limit when combined with current debt and if all debt were issued at the same time. Requires the examples in the publicity pamphlet of general obligation bonds to reflect the estimated impact of the bonds on the average residential and commercial properties using a valuation growth factor that is 50 percent of the projected total annual increase in secondary assessed value. Specifies that an election for the refinancing of bonds previously voter approved is not required so long as the weighted average maturity of the refunding bonds is at least 75 percent of the weighted average maturity of all the bonds being refinanced.

In her veto message, the Governor states that the bill unnecessarily limits local options to refinance bonds and contains unnecessary and undesirable changes to the voter information pamphlets. The Governor also states that the bill unreasonably restricts counties, cities, community college districts and school districts from taking advantage of lower market interest rates.